



June 14, 2012

The Honorable Julius Genachowski  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20544

Dear Chairman Genachowski:

The Rural Telephone Finance Cooperative (RTFC) was pleased to see the May 31, 2012, ex parte letter from Rural Utilities Service (RUS) Administrator Jonathan Adelstein regarding the recent meeting between yourself, Agriculture Secretary Tom Vilsack, Administrator Adelstein and key staffers, to discuss pending reforms of the Universal Service Fund (USF) and intercarrier compensation (ICC) mechanisms.

RTFC is a not-for-profit, member-owned cooperative providing its approximately 500 rural telco members across the country with debt capital needed to deploy high-quality, multiple-use communications networks in rural areas.

As has been explained in previous communications to the FCC, RTFC provides supplemental lending to RUS borrowers as well as the full lending requirement of the rural telecommunications companies that decide not to borrow from RUS and for projects not eligible for RUS financing. While the RUS is the largest lender to rural telcos, RTFC also has a very significant lending portfolio of outstanding and committed loans to telecommunications borrowers totaling \$931 million as of February 28, 2012.

Like the RUS, we are concerned about how the reform efforts being implemented by the FCC could affect the financial profile of our members. We have previously emphasized to the FCC our concern that reductions in USF support and/or net operating revenue without adequate transitions and a robust Connect America Fund could make it difficult for telcos to maintain key financial ratios and could lead to a greater likelihood of loan covenant breaches and payment defaults. Additionally, if established metrics of creditworthiness cannot be satisfied, telcos will have difficulty accessing the financing needed to invest in the vital infrastructure necessary to serve rural America in the future.

We were also pleased to see the letter from Administrator Adelstein twice refer to “lenders” in the plural sense as an acknowledgement that there are multiple lenders supporting rural telecommunications providers. We agree with Secretary Vilsack’s assessment that many loans originally were committed, and telco investments made, with the understanding that significant revenue to repay the loans would come from the USF and ICC mechanisms. These support mechanisms were required by the Telecommunications Act of 1996 to be “sufficient and predictable.” Notably, this same understanding applies to telco loans made by non-RUS lenders such as RTFC.

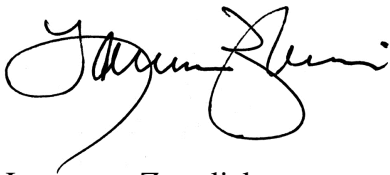
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As such, we believe that all loans and similar financial commitments made in good faith to rural telcos under then-current regulations should be considered in regard to regulatory structure or any waiver mechanism devised by the FCC, regardless of whether the lender is a government or private entity.

That being said, we also believe that relying strictly on a waiver process as a “safety net” for individual telcos that may be financially hard pressed under the new regulations would be a precarious and short-sighted approach. Such case-by-case relief would fall short of the preferable structural changes which need to be made to this reform plan in order to provide a more stable and predictable regulatory environment.

We appreciate your consideration of our concerns.

Respectfully,

A handwritten signature in black ink, appearing to read 'Lawrence Zawalick', with a stylized, cursive script.

Lawrence Zawalick  
Senior Vice President

CC:

FCC Commissioners:

The Honorable Robert McDowell  
The Honorable Mignon Clyburn  
The Honorable Ajit Pai  
The Honorable Jessica Rosenworcel

The Honorable Tom Vilsack

The Honorable Jonathan Adelstein